NORTH STATE
BUILDING INDUSTRY
ASSOCIATION

Residential Development Impact Fee Comparison Study

Final Condensed Executive Summary

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Economic & Planning Systems, Inc.
The Economics of Land Use

PO Box 340176 ▪ Sacramento, CA 95834
916.649.8010 ▪ www.epsys.com

INTRODUCTION AND FINDINGS

STUDY PURPOSE

Explore the typical composition of impact fees and cost burdens on residential development in the Sacramento Region.

Compare the total residential infrastructure cost burden in the Sacramento Region to other comparable jurisdictions in California as well as neighboring states.

Using the study findings, the BIA and its members can work with local jurisdictions to calibrate fees based on comparative data and the study findings.

KEY FINDINGS & OBSERVATIONS

- California’s municipal finance paradigm results in heavy reliance on development impact fees and other development exactions to fund infrastructure and public facility improvements serving new growth.

- Sacramento Region total cost burdens are significantly higher than other comparable California regions and other study areas.

- Robust impact fees can be a deterrent to growth and investment and are usually only sustainable in higher income developments or communities.

- Generally, areas with higher total cost burdens have a higher percentage of costs identified as essential and critical (e.g., water, sewer, transportation infrastructure).

KEY FINDINGS & OBSERVATIONS

- Sacramento Region fee structures tend to place a higher relative burden on medium-density residential units compared to low-density residential units, making it more challenging to feasibly develop higher density, entry-level product.

- Increasing entitlement, land development and home construction costs put increasing pressures on housing feasibility. Housing affordability is bound to face increasing threats by rising mortgage rates and eventual tapering demand from major metropolitan areas.

- Communities in other states have benefited from the use of an expanded range of tools and techniques for improving feasibility not available in California.

KEY FINDINGS & OBSERVATIONS

- Fee burdens for housing in the Sacramento Region are nearly twice as high as certain comparable California regions. In the Sacramento Region, fees average about **$95,000** per house whereas fee burdens in the Central Valley and Inland Empire average about **$55,000** per house.
- The primary fee categories creating the difference between Sacramento Region and the comparison areas are summarized below.

Fee Category	Central Valley	Inland Empire
Transportation & Transit	$7,000	$10,000
Wastewater Facilities	$4,000	$5,000
Water Facilities	$4,000	$6,250
Storm Drainage & Flood Control	$4,000	$3,750
Affordable Housing	$4,000	$0
Parks, Recreation & Trails	$7,500	$5,000
School Facilities	$7,500	$7,500
Total	$38,000	$37,500

KEY FINDINGS & OBSERVATIONS

- The weighted average fees and costs for homes in Sacramento County is approximately $97,000 per unit. The current fee burden in Sacramento County ranges from about $85,000 for a project in the Panhandle development area of Sacramento to over $105,000 for projects in unincorporated portions of Sacramento County and in Folsom.
- The weighted average fees and costs for homes in Placer County is approximately $87,000 per unit. The current fee burden in Placer County ranges from just over $65,000 at certain infill projects in Lincoln to about $95,000 for homes in the Sierra Vista Specific Plan in Roseville.
- In comparison, fees in the Central Valley and the Inland Empire region of Southern California average just over $50,000 per house. Fees in neighboring Nevada and Arizona are under $30,000 per home – with fees in Las Vegas and Phoenix averaging under $20,000.

KEY FINDINGS & OBSERVATIONS

- Fees and infrastructure costs make up as much as one-fifth of the price of a house in the Sacramento region. Compared to the Central Valley and Inland Empire, where fees and costs may only comprise approximately one-seventh of the home price thereby providing adequate capacity for entitlement, development and vertical construction costs that all factor into the price of a new home.

- This has a major impact on housing affordability, especially when builders consider building smaller, higher-density homes aimed at younger buyers. Because these fees are a major factor in determining if a project “pencils out,” higher fees – coupled with rising land and construction costs – can mean many of these projects aren’t feasible.

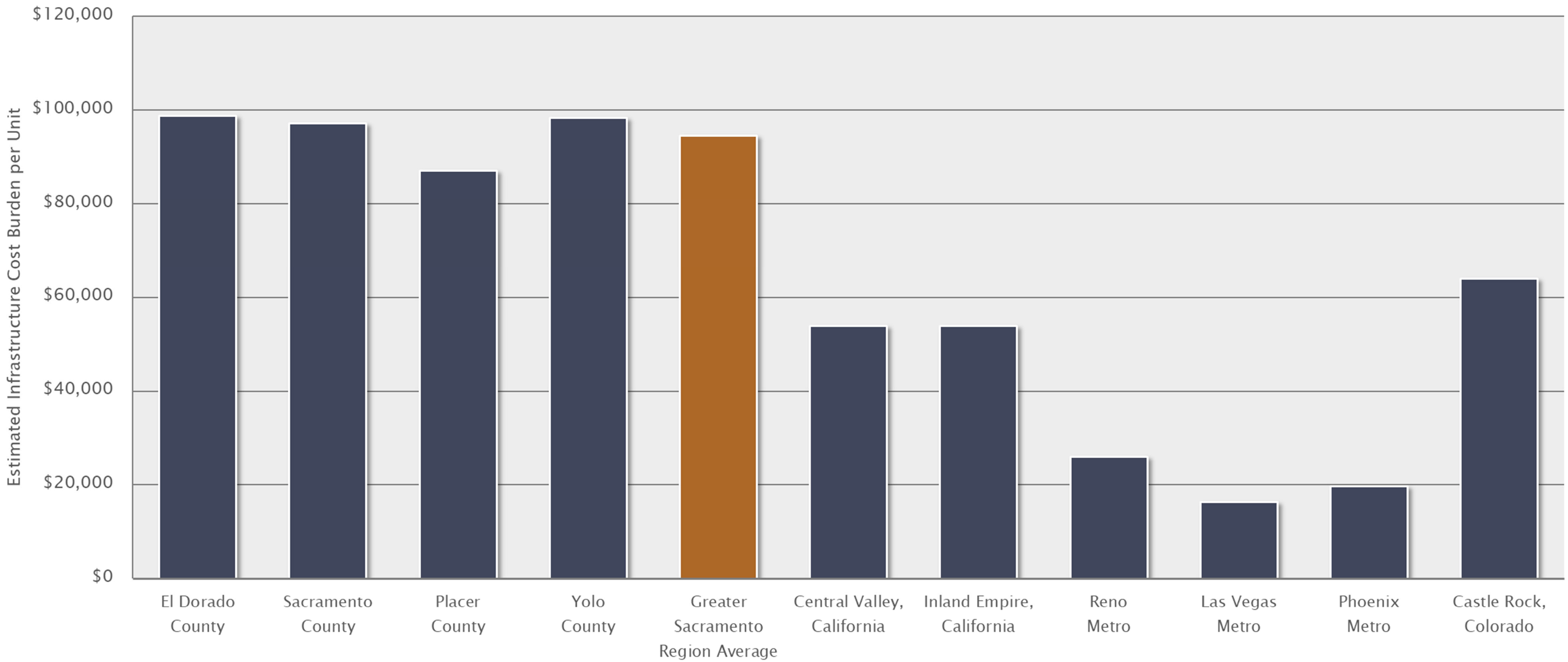
FEE IMPLEMENTATION CONSIDERATIONS

- Consider implementing policy-driven fee reductions for specific land use categories or districts to incentivize desired growth.
- Update and calibrate demand factors to reflect current demand characteristics of new development and conservation mandates (e.g., water, wastewater, storm drainage, etc.) to align the scope of fee-funded facilities with the needs of new development.
- Phase-in adopted fee increases over time to enable developers and builders to build cost increases into pro formas and land transactions.
- Enable fee deferment until later entitlement stages (e.g,. Certificate of Occupancy) to improve capital cash flows.

FEE IMPLEMENTATION CONSIDERATIONS

- Review capital improvement programs to prioritize projects that are critical to serving new service population. Consider removing facilities or seeking alternative funding sources for facilities that may be considered additional amenities or otherwise optional.
- Enable developers and builders to use public financing mechanisms to finance fee payments via land-secured financing mechanisms, such as the Statewide Community Infrastructure Program (SCIP).
- Continue to use local funding sources to leverage regional, state, and federal funding to address new capital facility needs.

SACRAMENTO REGION FEE BURDENS EXCEED COMPARISON REGIONS



SACRAMENTO REGION FEES PLACE GREATER STRAIN ON FEASIBILITY